
Tobin & Co.

Interlochen Public Library

Grand Traverse County, Michigan

Audit Report

For the Year Ended December 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name Interlochen Public Library		County Grand Traverse
Audit Date 12/31/05	Opinion Date 6/6/06	Date Accountant Report Submitted to State: 6/23/06			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

TOBIN & CO., P.C.

400 E. EIGHTH ST.

TRAVERSE CITY, MI 49686-2668

Certified Public Accountant (Firm Name)			
231-947-0151			
Street Address	City	State	ZIP
Accountant Signature	Date		

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INTRODUCTORY SECTION

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Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Interlochen Public Library, Grand Traverse County, for the year ended December 31, 2005 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Interlochen Public Library taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

Organization and Function

The Interlochen Public Library is organized in accordance with State statutes and is an associate member of Traverse Area District Library. It serves residents of Green Lake Township and Benzie County. It is recognized as a public library by the State Library Board to which it submits annual reports. The District Library is governed by a board elected by Green Lake Township voters. The Board meets monthly.

The Library has numerous volumes available for loan to users. Users must be registered with the Library. Fines are assessed for overdue books.

Revenues consist of a share of Traverse Area District Library ad valorem taxes, penal fines assessed by County courts, State aid, an appropriation from Green Lake Township, earned interest, donations, and other miscellaneous income.

Accounting Records and Procedures

In general, accounting records were maintained in very good order. Recorded revenues were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

The Library contracts with a local public accounting firm which prepares disbursement checks, including payroll, from documentation supplied by the Director, records all receipt and disbursement transactions, reconciles the checking accounts, and prepares monthly financial statements.

It is our understanding that all invoices and employee time records are approved for payment by the Director who forwards this information to the contracted public accounting firm. Firm personnel prepare the actual checks for payment. All vendor checks and paychecks are returned to the Library, and the Board reviews and approves as many of the disbursements as possible prior to distribution according to the Michigan Department of Treasury Local Audit and Finance Uniform Accounting Procedures Manual, and only those designated by Board Policy be signed and disbursed prior to approval.

Board Minutes

Board minutes were maintained in good order.

Budgets and Procedures

A budget for the General Operating Fund was prepared and amended as required by law.

Inventory

The Director maintains an inventory of books and periodicals updating it each year to reflect additions and disposals of collection items and periodicals.

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Comments and Recommendations

Insurance and Surety Bond Coverage

Records indicate that the Library has such insurance coverage as fire and extended coverage for buildings, collections, and equipment, general liability and workmen's compensation. We were informed that coverage was reviewed during the audit year. The Librarian and Treasurer are bonded for \$45,000.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Library Board
Interlochen Public Library
Grand Traverse County
Interlochen, MI 49643

We have audited the basic financial statements and General Fund of Interlochen Public Library, Grand Traverse County, as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of such funds of Interlochen Public Library, Grand Traverse County at December 31, 2005, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



TOBIN & CO., P.C.
Certified Public Accountants
June 6, 2006

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Interlochen Public Library Statement of Net Assets and Governmental Fund Balance Sheet December 31, 2005

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<u>Assets</u>			
Petty Cash	\$ 125	\$ -	\$ 125
Cash in Bank – Checking	5,010	-	5,010
Cash in Bank – Money Market	75,450	-	75,450
Cash in Bank – Endowment Fund Money Market	45,699	-	45,699
Prepaid Expenses	1,316	-	1,316
Capital Assets, Net of Accumulated Depreciation	-	55,479	55,479
Total Assets	127,600	55,479	183,079
<u>Liabilities</u>			
Current Payables and Accruals	4,245	-	4,245
Total Liabilities	4,245	-	4,245
<u>Fund Balances/Net Assets</u>			
Fund Balances			
Unrestricted	123,355	(123,355)	-
Total Fund Balances	123,355	(123,355)	-
Total Liabilities and Fund Balances	\$ 127,600		
<u>Net Assets</u>			
Invested in Capital Assets		55,479	55,479
Unrestricted		123,355	123,355
Total Net Assets		\$ 178,834	\$ 178,834

See Accompanying Notes to Basic Financial Statements

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Interlochen Public Library
Statement of Activities and Governmental Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2005

	General Fund	Adjustments (Note 4)	Statement of Activities
<u>Expenditures</u>			
Library Materials	\$ 33,893	\$ -	\$ 33,893
Salaries, Wages and Fringe Benefits	106,572	-	106,572
Facilities and Equipment	28,879	(8,173)	20,706
Administrative Services	<u>17,477</u>	<u>-</u>	<u>17,477</u>
Total Expenditures	<u>186,821</u>	<u>(8,173)</u>	<u>178,648</u>
<u>Program Revenues:</u>			
Charges for Services	3,472	-	3,472
Operating Grants and Contributions	<u>192,586</u>	<u>-</u>	<u>192,586</u>
Total Program Revenues			<u>196,058</u>
Net Program Revenues			17,410
<u>General Revenues:</u>			
Interest	<u>3,012</u>	<u>-</u>	<u>3,012</u>
Excess Revenues	12,249	(12,249)	-
Change in Net Assets		20,422	20,422
<u>Fund Balance/Net Assets:</u>			
Beginning of the Year	<u>111,106</u>	<u>47,306</u>	<u>158,412</u>
End of the Year	<u>\$ 123,355</u>	<u>\$ 55,479</u>	<u>\$ 178,834</u>

See Accompanying Notes to Basic Financial Statements

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Interlochen Public Library Notes to Financial Statements December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Interlochen Public Library is located in Grand Traverse County and serves Green Lake Township and at least portions of Benzie County.

The Library's basic financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Library. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Library are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from ad valorem taxes, penal fines, state aid, and local unit appropriations.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Library Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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Interlochen Public Library Notes to Financial Statements December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The General Fund is under formal budgetary control. Budgets shown in the required supplementary schedules for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Library.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$2,500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	25 years
Furniture and Fixtures	7 years
Equipment	5 years
Vehicles	10 years

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at December 31, 2005.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended December 31, 2005, no Library cost center exceeded its appropriation without formal budget amendment.

NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Net capital assets of \$55,479 used in governmental activities are not financial resources and therefore are not reported in the fund.

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Interlochen Public Library
Notes to Financial Statements
December 31, 2005

NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. Capital outlay for Library capital assets exceeded depreciation by \$8,173 for the year.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits

The Library had \$132,564 deposited with a local financial institution at December 31, 2005 with a carrying value of \$126,159. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Library had \$21,149 of uninsured deposits at December 31, 2005.

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Interlochen Public Library Notes to Financial Statements December 31, 2005

NOTE 6 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Land Improvements	\$ 5,440	\$ -	\$ -	\$ 5,440
Building Improvements	48,753	-	-	48,753
Equipment and Furnishings	3,489	12,359	-	15,848
Total	57,682	12,359	-	70,041
Accumulated Depreciation	(10,376)	(4,186)	-	(14,562)
	<u>\$ 47,306</u>	<u>\$ 8,173</u>	<u>\$ -</u>	<u>\$ 55,479</u>

NOTE 7 - INVENTORIES

Interlochen Public Library does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 8 - PENSION PLAN

The Library provides no pension plan for employees.

NOTE 9 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Library.

NOTE 10 - LEASE

The Library rents their facilities from Green Lake Township under a lease commencing January 1, 1999 and renewing each January 1 thereafter until written notice of termination by either party. The Library is responsible for upkeep, repairs and maintenance, utilities and insurance on the leased property.

NOTE 11- COMPENSATED ABSENCES

The Library provides no compensated absences for its employees.

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Interlochen Public Library
Notes to Financial Statements
December 31, 2005

NOTE 12- RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Library addressed these risks through the purchase of commercial insurance through a local insurance agent and Frankenmuth Mutual Insurance Company. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

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Interlochen Public Library Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended December 31, 2005

Schedule 1
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Contributions from Local Units:				
Ad Valorem Tax – TADL	\$ 137,279	\$ 137,279	\$ 126,904	\$ (10,375)
Penal Fines	26,650	33,070	37,401	4,331
Green Lake Township	6,000	6,000	7,810	1,810
State Grants:				
State Aid	4,000	4,000	4,356	356
Fines and Forfeits:				
Borrower Fines	1,200	1,200	1,985	785
Charges for Services:				
Copier, Phone and Fax Fees	1,200	1,200	1,487	287
Interest and Rent:				
Interest	2,500	2,500	3,012	512
Other:				
Gifts, Donations, Memorials and Miscellaneous	<u>2,150</u>	<u>14,998</u>	<u>16,115</u>	<u>1,117</u>
Total Revenues	<u>180,979</u>	<u>200,247</u>	<u>199,070</u>	<u>(1,177)</u>
<u>Expenditures</u>				
Direct Costs:				
Salaries and Wages	95,304	95,304	94,341	963
Payroll Taxes	7,200	7,820	7,774	46
Benefits	5,000	5,000	4,457	543
Supplies	8,300	9,155	8,174	981
Other Services	1,200	1,200	489	711
Library Materials	30,000	38,783	33,893	4,890
MMLL Processing and Services	<u>2,300</u>	<u>2,300</u>	<u>2,208</u>	<u>92</u>
Total	<u>149,304</u>	<u>159,562</u>	<u>151,336</u>	<u>8,226</u>
Indirect Costs:				
Insurance	3,500	3,500	3,010	490
Utilities	6,000	6,900	6,163	737
Repair and Maintenance	9,601	9,705	7,347	2,358
Capital Outlay	-	12,410	12,359	51
Miscellaneous	2,250	2,370	853	1,517
Contracted Services	4,600	5,800	5,753	47
Contingencies	<u>5,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>31,675</u>	<u>40,685</u>	<u>35,485</u>	<u>5,200</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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Interlochen Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2005

Schedule 1
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Total Expenditures	<u>180,979</u>	<u>200,247</u>	<u>186,821</u>	<u>13,426</u>
Excess Revenues (Expenditures)	<u>\$ -</u>	<u>\$ -</u>	12,249	<u>\$ 12,249</u>
Fund Balance – Beginning of Year			<u>111,106</u>	
Fund Balance – End of Year			<u>\$ 123,355</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.